Are Your Beneficiaries Current?

Why it's important to review them at least once a year. **Page 7**

Cycles

For **Retired** Members of Utah Retirement Systems
Spring 2016 | Volume **34**, No. **1**

TAX-FREE CHARITABLE CONTRIBUTIONS FROM IRA MADE PERMANENT » **PAGE 7** | *SPRING CLEANING FOR YOUR SAVINGS* » **PAGE 8**

Sharpen Your Withdrawal Strategy

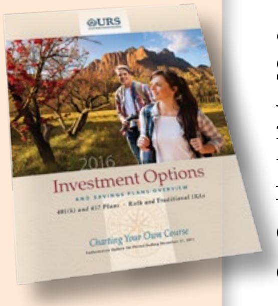
FOUR PAGES OF TIPS »
Considerations to minimize taxes and keep more of your money. Pages 3-6

FAR-REACHING IMPACT

$1.3 BILLION IN PENSION BENEFITS MAKES URS A MAJOR PLAYER IN UTAH ECONOMY » **Page 9**

Learn about your investment options

Trying to decide how to invest in your URS Savings Plans? Get to know [this handy brochure](). It provides a quick overview of the different URS Savings Plans and your investment options.



See how each fund has performed in each of the past 15 years. Compare their risk/reward balance, sample holdings, and annualized returns. ■

Utah Retirement Systems

Trust • Commitment
Value • Innovation • Excellence

Utah Retirement Systems
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Cycles *For Retired Members of Utah Retirement Systems*

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05/5/16

One-Stop Account Access

Stay up-to-date on your benefits by creating a myURS account. View your pension information, manage your savings plans, access tax documents and URS account statements, update pension tax withholdings and address changes, and more.

Go to www.urs.org to create an account. You'll need your Social Security number and your URS account number. Find your URS account number on your URS statements or call us at 801-366-7770 or 800-695-4877. ■

Remember when...

1930s » This prison, known as "The Rock," opens near San Francisco in 1934.

1940s » The first race of this modified stock-car series is run in Daytona Beach in 1948.

1950s » Hasbro introduces this starchy, tuberous toy in 1952.

1960s » The US Postal Service begins using these codes in 1963 to more efficiently deliver mail.

1970s » This Toronto tower becomes the tallest freestanding structure in 1976.

1980s » This American astronaut becomes the first woman in space.

1930s: Alcatraz Federal penitentiary | **1940s:** NASCAR | **1950s:** Mr. Potato Head | **1960s:** Zip codes | **1970s:** CN Tower | **1980s:** Sally Ride

Cover Story

Withdrawal & Tax STRATEGIES

Considerations for maximizing your Retirement Savings Plans

You carefully saved money throughout your career to help pay for your retirement. Now that you're here, this is no time to stop thinking strategically about your savings plans.

To maximize your nest egg, carefully consider how and when to withdraw. The next three pages offer important food for thought.

Savings Plans Withdrawal Strategies and Tax Considerations

Cover Story

Withdrawal & Tax STRATEGIES

RMD: A Matter of Simple Math

Once you reach the age of 70½, and are no longer working for a URS covered employer, you are required to start taking a small portion out of your 401(k) or 457 each year. This is called a required minimum distribution (RMD). This is true for most retirement plans, including traditional IRAs (however, you must take the RMD from traditional IRAs regardless of your employment status). Rolling money from one type of retirement plan to another will not save you from having to take an RMD. The good news is that the RMD may not be as onerous as you may think. The required amount is computed by dividing your prior year-end balance by a factor published by the IRS. For example, suppose you are 71 years old at the end of the year and you had $100,000 in your savings plan at the beginning of that same year. Your factor would be 26.5, and dividing $100,000 by 26.5 results in an RMD of $3,774.

IRS Calculation Table

See IRS RMD Worksheet

Age	RMD Factor	Age	RMD Factor
70	27.4	78	20.3
71	26.5	79	19.5
72	25.6	80	18.7
73	24.7	81	17.9
74	23.8	82	17.1
75	22.9	83	16.3
76	22.0	84	15.5
77	21.2	85	14.8

Withdrawing Your Money: You've Got Options

Once you're eligible for withdrawals, URS has many options to fit your personal needs. You can:

1. Take a partial withdrawal any time you like, just like a savings account.

2. Receive automatic periodic payments.

- **a.** In equal amounts (e.g., $500 per month).
- **b.** Based on a number of years and a projected rate of return (e.g., 20 years assuming a 4% rate of return – the rate of return is an estimation, and not guaranteed).
- **c.** Automatic withdrawals for a specific number of years, recalculated annually (e.g., payments for 20 years, and the amount adjusts each year depending on investment returns).
- **d.** Your RMD calculated and sent automatically (as discussed above).

3. The full balance (not recommended – see tax discussion, next page).

You can choose from monthly payments, quarterly payments, semi-annual payments, or annual payments. Your payment amounts and cycles can also be changed if or when you prefer.

Learn More

This brochure helps you establish your distribution strategy.

Cover Story

Withdrawal & Tax STRATEGIES

Tax Strategies: Don't Just Take It All!

You've reached the time of life when your retirement money is available to withdraw. It's tempting to take out enough to pay-off a mortgage, buy a new truck, or go on a long European vacation. These goals are good, but it's important to do some tax planning to minimize taxes, increase potential returns, and help make your money last.

For the easiest strategy, simply take your RMD each year, and your money will trickle to you over a lifetime. In fact, if you do nothing, URS will automatically calculate and send you the right amount each year from your 401(k) or 457 plans – protecting you from possible tax penalties.

For strategic withdrawals, it's helpful to know what tax rate you're currently paying. After you have filed your taxes for the year, be sure to review two factors: your effective tax rate (the amount you paid in taxes, divided by your total income), and your marginal tax rate (the tax rate you will pay for additional income). These factors will give you an idea of the impact withdrawals will have on your income tax rate.

Remember that a key ingredient is your "taxable income." For tax purposes, your gross income may be reduced by deductions, exemptions, and credits – so your actual taxable income could be far different than your gross income. (If you're not comfortable with doing your own analysis, you should consult a qualified tax advisor to help you model your personal profile).

Married Filing Jointly

IF YOUR TAXABLE INCOME IS... Over	But Not Over	YOUR TAX IS...		of the Amount Over
$0	$18,450	--------------	10%	$0
$18,450	$74,900	$1,845.00	+ 15%	$18,450
$74,900	$151,200	$10,312.50	+ 25%	$74,900
$151,200	$230,450	$29,387.50	+ 28%	$151,200
$230,450	$411,500	$51,577.50	+ 33%	$230,450
$411,500	$464,850	$111,324.00	+ 35%	$411,500
$464,850	------------	$129,996.50	+ 39.6%	$464,850

Source: 2015 IRS 1040 Instructions. Rates or income margins may change from year-to-year.

Mortgage Considerations

Let's talk briefly about paying off your mortgage. Living in retirement without a mortgage payment could bring peace of mind. But if you have a significant mortgage balance when you enter retirement, rather than withdrawing all the money at once to pay it off, it would be better to strategically withdraw extra money, based on how it will affect your tax rate, and use it to make extra payments to your mortgage. This may take several years to completely pay off the mortgage, but could save you thousands in added taxes.

Cover Story

Withdrawal & Tax STRATEGIES

Roth Conversions: Tax-Free Growth

Here's another tax planning strategy that lets you keep your funds invested and growing potentially tax-free: Convert portions from your taxable accounts into a URS Roth IRA. Moving money from a taxable account to a Roth IRA is taxable, just like a withdrawal. However, once in a URS Roth IRA, you can continue to invest the money in the same low-cost investment options, but the earnings now grow tax-free (once you have had a Roth account open for at least five years and meet a qualifying event. See the URS IRA Guidebook for a description of qualified distributions.)

Again, by understanding how much you can withdraw from your taxable accounts without incurring a higher tax bracket, you can strategically move assets into a Roth account.

Transfers from a Traditional IRA

If you plan to contribute to a qualified charity, you may transfer up to $100,000 tax-free from a traditional IRA – each year! For details, see Page 7.

A Tax Professional Might Help

Using proper tax strategies can save you thousands of dollars in potential taxes, and also help your money last longer and earn more. Some people like to manage and file their own taxes. With the new tax software packages, this has become easier. However, if you don't have the time or expertise to do it yourself, it may be well worth the cost to hire a tax professional to help you model your withdrawal and conversion strategies.

Keep Your Beneficiaries Current

We pay benefits based on our most recent record. If you have not initially set up your beneficiary designations, or if your listed primary beneficiary dies with no contingent (backup) in place, the law decides who gets your money.

If one of your children listed as a beneficiary marries or divorces and changes her name, you should change that on your account. The same rule applies to beneficiaries who have moved. We need a current address.

If one of your listed beneficiaries has died, you may need to reassess your list of beneficiaries. Always double-check. Incorrect information could delay your wishes or leave your loved ones without any money or recourse. Review your beneficiaries at least once a year at myURS. ■

IRA Charity Rules Made Permanent

Qualified charitable distributions allow individuals who have reached age 70½ to donate up to $100,000 to charitable organizations directly from their traditional IRA without treating the distribution as taxable income.

This provision has been available on a year-by-year basis with congressional approval. But with the passage of the Path Act in December 2015, it's now permanent and will apply to tax years 2015 and beyond.

To qualify, you must be age 70½ or older at the time of distribution and the funds must be transferred directly by the IRA trustee (URS) to the eligible charity. Not all charities are eligible, for example, donor-advised funds and other supporting organizations are not eligible. Check with the charity about eligibility.

You can use this option regardless of whether you itemize. The distributed amount is excluded from your income; however, no deduction, such as a charitable contribution deduction on Schedule A, may be taken for the distributed amount.

Amounts you transfer to a charity from your IRA count toward your IRA's required minimum distribution (RMD) for the year. In addition, if you have made nondeductible contributions to your traditional IRA, a special rule treats amounts distributed to charities as coming first from taxable funds, instead of proportionately from taxable and nontaxable funds, as would be the case with regular IRA distributions.

Distributions from employer-sponsored retirement plans, such as the URS 401(k) and 457 plans, are not eligible for this option. ■

No 401(k) Penalty for Police/Fire Over 50

A new law effective in 2016 expands the exceptions to the 401(k) 10% early withdrawal penalty to include qualified public safety employees who separate from service in or after the year they turn age 50.

You're a qualified public safety employee if you're in the Tier 1 Public Safety System, the Tier 1 Firefighters System, or the Tier 2 Public Safety and Firefighter System (Hybrid or DC-only plan).

To meet the exception, you must separate from service as a qualified public safety employee in a qualified public safety position during or after the calendar year you turn age 50. Any withdrawals after this time will not be subject to the 401(k) 10% early withdrawal penalty tax.

The new law applies to distributions made after Dec. 31, 2015. It only applies to the URS 401(k) and does not apply to IRAs.

The URS 457 has no 10% early withdrawal penalty for any employee, at any age. If you leave your job at any time, for any reason, you can withdraw penalty-free. ■

Consider PEHP Medicare Supplement

As a retired URS member, you and your spouse are eligible for PEHP Medicare Supplement at age 65.

Consider the many advantages of PEHP's plans:

» Premiums can be deducted from your URS retirement check.

» New for 2016: dental and vision plans.

» Discount dental benefit is included at no extra cost.

» Coverage out-of-state and out-of-country.

Learn more online or call 801-366-7555. ■

Spring Cleaning: Consolidate Any Old Accounts With URS

Have a 401(k), 457(b), or IRA from a previous employer? Simplify your life — and enjoy the peace of mind of knowing your fees are low — by rolling over old accounts to URS.

It's easy and has many benefits, including:

» Ease of managing your accounts

» Local customer service

» Professionally managed investment options

» Low investment and administrative fees

Just fill out this form, send it to us, and you're done. In many cases, you won't have to deal with the other institution — we'll make all the arrangements. Call us at 801-366-7720 or 800-688-4015 if you have questions. ■

Tired of Telemarketers?

Enroll at the National Do-Not-Call Registry to stop the annoying phone calls.

URS in the Community

URS: A MAJOR PLAYER IN THE UTAH ECONOMY

Pension payments support jobs, expand GDP, and provide steady tax revenue.

FAR-REACHING IMPACT

URS pension payments ripple throughout the Utah economy, supporting jobs, expanding GDP, and providing steady state and local tax revenue, a recent study shows. In 2015, these payments supported about **8,500 Utah jobs**, **$350 million in wages**, **$650 million in GDP**, and **$56 million in state and local tax revenue**, according to a report prepared by the University of Utah's Kem C. Gardner Policy Institute. See Full Report.

$1.3 BILLION IN PENSION BENEFITS PAID IN 2015

54,953 UTAHNS RECEIVED PENSION BENEFITS

1.1% OF THE STATE'S TOTAL PERSONAL INCOME

64% AVERAGE PORTION OF BENEFITS PAID THROUGH INVESTMENT RETURNS OVER THE PAST 20 YEARS

ECONOMIC ACTIVITY SUPPORTED...

8,500 JOBS

$350 Million IN WAGES

$650 Million IN GDP

$56 MILLION IN STATE AND LOCAL TAX REVENUE